UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

x Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended September 30, 2019

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-8351

CHEMED CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	31-0791746
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
255 E. Fifth Street, Suite 2600, Cincinnati, Ohio	45202
(Address of principal executive offices)	(Zip code)

(513) 762-6690
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YesxNoo

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

YesxNoo

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer x Accelerated Filer o Non-accelerated Filer o Smaller Reporting Company o

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended the extended transition period for complying with a new or revised financial accounting standards provided pursuant to Section 13 (a) of the Exchange Act o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered	Amount	Date
Capital Stock $1 Par Value	CHE	New York Stock Exchange	16,009,258 Shares	September 30, 2019

CHEMED CORPORATION AND SUBSIDIARY COMPANIES

Index

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,066	$ 4,831
Accounts receivable	114,480	119,504
Inventories	7,354	5,705
Prepaid income taxes	10,745	10,646
Prepaid expenses	26,150	19,154
Total current assets	167,795	159,840
Investments of deferred compensation plans	73,714	65,624
Properties and equipment, at cost, less accumulated depreciation of $264,075 (2018 - $248,370)	172,932	162,033
Lease right of use asset	103,286	-
Identifiable intangible assets less accumulated amortization of $34,651 (2018 - $33,283)	129,276	68,253
Goodwill	576,600	510,570
Other assets	8,982	9,209
Total Assets	$ 1,232,585	$ 975,529
LIABILITIES		
Current liabilities		
Accounts payable	$ 44,027	$ 50,150
Accrued insurance	47,726	46,095
Accrued compensation	75,208	63,329
Accrued legal	7,283	1,857
Short-term lease liability	33,761	-
Other current liabilities	43,496	30,239
Total current liabilities	251,501	191,670
Deferred income taxes	15,512	21,598
Long-term debt	130,000	89,200
Deferred compensation liabilities	73,335	64,616
Long-term lease liability	82,012	-
Other liabilities	7,845	17,111
Total Liabilities	560,205	384,195
Commitments and contingencies (Note 11)		
STOCKHOLDERS' EQUITY		
Capital stock - authorized 80,000,000 shares $1 par; issued 35,737,995 shares (2018 - 35,311,418 shares)	35,738	35,311
Paid-in capital	841,837	774,358
Retained earnings	1,365,303	1,225,617
Treasury stock - 19,808,981 shares (2018 - 19,438,358 shares)	(1,572,844)	(1,446,296)
Deferred compensation payable in Company stock	2,346	2,344
Total Stockholders' Equity	672,380	591,334
Total Liabilities and Stockholders' Equity	$ 1,232,585	$ 975,529

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	**2018**	**2019**	**2018**
Service revenues and sales	**$ 480,613**	$ 444,151	**$ 1,416,231**	$ 1,325,140
Cost of services provided and goods sold (excluding depreciation)	**328,183**	305,312	**973,771**	915,589
Selling, general and administrative expenses	**76,836**	67,177	**222,421**	204,474
Depreciation	**10,147**	9,657	**29,744**	28,642
Amortization	**441**	35	**1,366**	96
Other operating expenses	**78**	257	**9,001**	88
Total costs and expenses	**415,685**	382,438	**1,236,303**	1,148,889
Income from operations	**64,928**	61,713	**179,928**	176,251
Interest expense	**(1,041)**	(1,082)	**(3,402)**	(3,813)
Other income - net	**3,036**	2,300	**5,488**	4,356
Income before income taxes	**66,923**	62,931	**182,014**	176,794
Income taxes	**(7,976)**	(11,682)	**(27,671)**	(25,578)
Net income	**$ 58,947**	$ 51,249	**$ 154,343**	$ 151,216
Earnings Per Share:				
Net income	**$ 3.69**	$ 3.19	**$ 9.68**	$ 9.41
Average number of shares outstanding	**15,970**	16,074	**15,952**	16,070
Diluted Earnings Per Share:				
Net income	**$ 3.56**	$ 3.06	**$ 9.35**	$ 8.98
Average number of shares outstanding	**16,555**	16,772	**16,514**	16,830
Cash Dividends Per Share	**$ 0.32**	$ 0.30	**$ 0.92**	$ 0.86

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2019	**2018**
Cash Flows from Operating Activities		
Net income	$ 154,343	$ 151,216
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,110	28,738
Stock option expense	10,729	9,360
Benefit for deferred income taxes	(6,085)	(1,344)
Litigation settlement	6,000	-
Noncash long-term incentive compensation	4,184	4,176
Asset impairment loss	2,266	-
Noncash directors' compensation	767	766
Amortization of debt issuance costs	229	361
Amortization of restricted stock awards	-	446
Changes in operating assets and liabilities:		
Decrease in accounts receivable	10,558	4,637
Increase in inventories	(1,649)	(429)
Increase in prepaid expenses	(6,836)	(1,518)
Increase in accounts payable and other current liabilities	28,622	12,182
Net change in lease assets and liabilities	1,311	-
Change in current income taxes	(81)	23,858
Increase in other assets	(8,145)	(9,441)
Increase in other liabilities	9,045	7,190
Other sources	1,277	410
Net cash provided by operating activities	237,645	230,608
Cash Flows from Investing Activities		
Business combinations	(138,010)	(12,875)
Capital expenditures	(39,753)	(36,554)
Other sources	101	480
Net cash used by investing activities	(177,662)	(48,949)
Cash Flows from Financing Activities		
Proceeds from revolving line of credit	400,700	428,150
Payments on revolving line of credit	(359,900)	(324,350)
Purchases of treasury stock	(71,926)	(121,976)
Capital stock surrendered to pay taxes on stock-based compensation	(26,108)	(24,763)
Proceeds from exercise of stock options	23,383	23,079
Dividends paid	(14,657)	(13,850)
Change in cash overdrafts payable	(7,535)	(15,307)
Payments on other long-term debt	-	(75,000)
Debt issuance costs	-	(985)
Other sources/(uses)	295	(319)
Net cash used by financing activities	(55,748)	(125,321)
Increase in Cash and Cash Equivalents	4,235	56,338
Cash and cash equivalents at beginning of year	4,831	11,121
Cash and cash equivalents at end of period	$ 9,066	$ 67,459

See accompanying Notes to Unaudited Consolidated Financial Statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in thousands, except per share data)

For the three months ended September 30, 2019 and 2018:

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at June 30, 2019	**35,591**	**817,255**	**1,311,446**	**(1,548,138)**	**2,415**	**618,569**
Net income	**-**	**-**	**58,947**	**-**	**-**	**58,947**
Dividends paid ($0.32 per share)	**-**	**-**	**(5,090)**	**-**	**-**	**(5,090)**
Stock awards and exercise of stock options	**147**	**24,660**	**-**	**(24,775)**	**-**	**32**
Other	**-**	**(78)**	**-**	**69**	**(69)**	**(78)**
Balance at September 30, 2019	**$ 35,738**	**$ 841,837**	**$ 1,365,303**	**$ (1,572,844)**	**$ 2,346**	**$ 672,380**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at June 30, 2018	35,141	744,228	1,129,289	(1,354,538)	2,271	556,391
Net income	-	-	51,249	-	-	51,249
Dividends paid ($0.28 per share)	-	-	(4,834)	-	-	(4,834)
Stock awards and exercise of stock options	70	10,679	-	(8,331)	-	2,418
Purchases of treasury stock	-	-	-	(37,672)	-	(37,672)
Other	-	356	245	(36)	36	601
Balance at September 30, 2018	$ 35,211	$ 755,263	$ 1,175,949	$ (1,400,577)	$ 2,307	$ 568,153

The Notes to Consolidated Financial Statements are integral parts of these statements.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(in thousands, except per share data)

For the nine months ended September 30, 2019 and 2018:

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2018	**35,311**	**774,358**	**1,225,617**	**(1,446,296)**	**2,344**	**591,334**
Net income	**-**	**-**	**154,343**	**-**	**-**	**154,343**
Dividends paid ($0.92 per share)	**-**	**-**	**(14,657)**	**-**	**-**	**(14,657)**
Stock awards and exercise of stock options	**427**	**67,149**	**-**	**(54,620)**	**-**	**12,956**
Purchases of treasury stock	**-**	**-**	**-**	**(71,926)**	**-**	**(71,926)**
Other	**-**	**330**	**-**	**(2)**	**2**	**330**
Balance at September 30, 2019	**$ 35,738**	**$ 841,837**	**$ 1,365,303**	**$ (1,572,844)**	**$ 2,346**	**$ 672,380**

	Capital Stock	Paid-in Capital	Retained Earnings	Treasury Stock- at Cost	Deferred Compensation Payable in Company Stock	Total
Balance at December 31, 2017	34,732	695,797	1,038,955	(1,231,332)	2,202	540,354
Net income	-	-	151,216	-	-	151,216
Dividends paid ($0.86 per share)	-	-	(13,850)	-	-	(13,850)
Stock awards and exercise of stock options	479	59,749	-	(47,164)	-	13,064
Purchases of treasury stock	-	-	-	(121,976)	-	(121,976)
Other	-	(283)	(372)	(105)	105	(655)
Balance at September 30, 2018	$ 35,211	$ 755,263	$ 1,175,949	$ (1,400,577)	$ 2,307	$ 568,153

The Notes to Consolidated Financial Statements are integral parts of these statements.

1. Basis of Presentation

As used herein, the terms “We,” “Company” and “Chemed” refer to Chemed Corporation or Chemed Corporation and its consolidated subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements of Chemed in accordance with Rule 10-01 of SEC Regulation S-X. Consequently, we have omitted certain disclosures required under generally accepted accounting principles in the United States (“GAAP”) for complete financial statements. The December 31, 2018 balance sheet data were derived from audited financial statements but do not include all disclosures required by GAAP. However, in our opinion, the financial statements presented herein contain all adjustments, consisting only of normal recurring adjustments, necessary to state fairly our financial position, results of operations and cash flows. These financial statements are prepared on the same basis as and should be read in conjunction with the audited Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

LEASE ACCOUNTING

In February 2016, the FASB issued Accounting Standards Update “ASU No. 2016-02 Leases” which introduced a lessee model that brings most leases onto the balance sheets and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. This standard is also referred to as Accountings Standards Codification No.842 (“ASC 842”). We adopted ASC 842 effective January 1, 2019, using the optional transition method requiring leases existing at, or entered into after, January 1, 2019 to be recognized and measured. The transition method selected does not require adjustments to prior period amounts, which continue to be reflected in accordance with historical accounting. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which among other things, allowed us to carry forward the historical lease classification.

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units (“IPUs”) and/or contract beds within hospitals. Roto-Rooter mainly has leased office space.

Roto-Rooter purchases equipment and leases it to certain of its independent contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income.

Adoption of the new standard resulted in right of use assets and lease liabilities of $87.8 million and $98.7 million, respectively, as of March 31, 2019. In determining the liability, we used our incremental borrowing rate based on the information available at the time of adoption, since the rate implicit in the leases cannot be readily determined. At January 1, 2019, the weighted average rate was 3.47%. The standard did not materially impact our consolidated net income or cash flows. We did not book a cumulative effect adjustment upon adoption of the standard.

CLOUD COMPUTING

On January 1, 2019, we early adopted ASU No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract”. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal use software. We adopted the ASU on a prospective basis.

As of September 30, 2019, we have two cloud computing arrangements that are service contracts. Roto-Rooter is implementing a system to assist in technician dispatch and VITAS is implementing a new human resources system. We have capitalized approximately $4.8 million related to implementation of these projects which are included in prepaid assets in the accompanying balance sheets. There has been no amortization expense associated with the asset, as the software has not yet been placed in service. We anticipate amortizing the assets over the original term of the arrangements plus renewal options that are reasonably certain of being exercised.

NON-EMPLOYEE STOCK COMPENSATION

In June 2018, the FASB issued Accounting Standards Update "ASU No. 2018-07 – Compensation – Stock Compensation". The ASU expands the scope of current guidance to include all share-based payment arrangements related to the acquisition of goods and services from both non-employees and employees. The guidance in the ASU is effective for the Company in all fiscal years beginning after December 15, 2018. Adoption of this standard had no material impact on our Consolidated Financial Statements.

CASH FLOW CLASSIFICATION

In August 2016, the FASB issued Accounting Standards Update "ASU No. 2016-15 – Cash Flow Classification" which amends guidance on the classification of certain cash receipts and payments in the Statements of Cash Flows. The primary purpose of ASU 2016-15 was to reduce diversity in practice related to eight specific cash flow issues. The guidance in this ASU was effective for fiscal years beginning after December 15, 2017. We adopted this ASU as of January 1, 2018. There was no material effect to our Statements of Cash Flow.

INCOME TAXES

Our effective income tax rate was 11.9% in the third quarter of 2019 compared to 18.6% during the third quarter of 2018. Excess tax benefit on stock options reduced our income tax expenses by $8.8 million and $3.1 million, respectively for the quarters ended September 30, 2019 and 2018.

Our effective income tax rate was 15.2% for the first nine months of 2019 compared to 14.5% during the first nine months of 2018. Excess tax benefit on stock options reduced our income tax expenses by $18.7 million and $18.6 million, respectively for the first nine months ended September 30, 2019 and 2018.

NON-CASH TRANSACTIONS

Included in the accompanying Consolidated Balance Sheets are $1.1 million and $3.2 million of capitalized property and equipment which were not paid for as of September 30, 2019 and December 31, 2018, respectively. These am

BUSINESS COMBINATIONS

We account for acquired businesses using the acquisition method of accounting. All assets acquired and liabilities assumed are recorded at their respective fair values at the date of acquisition. The determination of fair value involves estimates and the use of valuation techniques when market value is not readily available. We use various techniques to determine fair value in accordance with accepted valuation models, primarily the income approach. The significant assumptions used in developing fair values include, but are not limited to, revenue growth rates, the amount and timing of future cash flows, discount rates, useful lives, royalty rates and future tax rates. The excess of purchase price over the fair value of assets and liabilities acquired is recorded as goodwill. See footnote 17 for discussion of recent acquisitions.

2. Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update "ASU No. 2014-09 – Revenue from Contracts with Customers." The standard and subsequent amendments are theoretically intended to develop a common revenue standard for removing inconsistencies and weaknesses, improve comparability, provide for more useful information to users through improved disclosure requirements and simplify the preparation of financial statements. The standard is also referred to as Accounting Standards Codification No. 606 ("ASC 606"). We adopted ASC 606 effective January 1, 2018. The required disclosures of ASC 606 and impact of adoption are discussed below for each of our operating subsidiaries.

<u>*VITAS*</u>

Service revenue for VITAS is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing patient care. These amounts are due from third-party payors, primarily commercial health insurers and government programs (Medicare and Medicaid), and include variable consideration for revenue adjustments due to settlements of audits and reviews, as well as certain hospice-specific revenue capitations. Amounts are generally billed monthly or subsequent to patient discharge. Subsequent changes in the transaction price initially recognized are not significant.

Hospice services are provided on a daily basis and the type of service provided is determined based on a physician's determination of each patient's specific needs on that given day. Reimbursement rates for hospice services are on a *per diem* basis regardless of the type of service provided or the payor. Reimbursement rates from government programs are established by the appropriate governmental agency and are standard across all hospice providers. Reimbursement rates from health insurers are negotiated with each payor and generally structured to closely mirror the Medicare reimbursement model. The types of hospice services provided and associated reimbursement model for each are as follows:

Routine Home Care occurs when a patient receives hospice care in their home, including a nursing home setting. The routine home care rate is paid for each day that a patient is in a hospice program and is not receiving one of the other categories of hospice care. For Medicare patients, the routine home care rate reflects a two-tiered rate, with a higher rate for the first 60 days of a hospice patient's care and a lower rate for days 61 and after. In addition, there is a Service Intensity Add-on payment which covers direct home care visits conducted by a registered nurse or social worker in the last seven days of a hospice patient's life, reimbursed up to 4 hours per day in 15 minute increments at the continuous home care rate.

General Inpatient Care occurs when a patient requires services in a controlled setting for a short period of time for pain control or symptom management which cannot be managed in other settings. General inpatient care services must be provided in a Medicare or Medicaid certified hospital or long-term care facility or at a freestanding inpatient hospice facility with the required registered nurse staffing.

Continuous Home Care is provided to patients while at home, including a nursing home setting, during periods of crisis when intensive monitoring and care, primarily nursing care, is required in order to achieve palliation or management of acute medical symptoms. Continuous home care requires a minimum of 8 hours of care within a 24-hour day, which begins at midnight. The care must be predominantly nursing care provided by either a registered nurse or licensed nurse practitioner. While the published Medicare continuous home care rates are daily rates, Medicare pays for continuous home care in 15 minute increments. This 15 minute rate is calculated by dividing the daily rate by 96.

Respite Care permits a hospice patient to receive services on an inpatient basis for a short period of time in order to provide relief for the patient's family or other caregivers from the demands of caring for the patient. A hospice can receive payment for respite care for a given patient for up to five consecutive days at a time, after which respite care is reimbursed at the routine home care rate.

Each level of care represents a separate promise under the contract of care and is provided independently for each patient contingent upon the patient's specific medical needs as determined by a physician. However, the clinical criteria used to determine a patient's level of care is consistent across all patients, given that, each patient is subject to the same payor rules and regulations. As a result, we have concluded that each level of care is capable of being distinct and is distinct in the context of the contract. Furthermore, we have determined that each level of care represents a stand ready service provided as a series of either days or hours of patient care. We believe that the performance obligations for each level of care meet criteria to be satisfied over time. VITAS recognizes revenue based on the service output. VITAS believes this to be the most faithful depiction of the transfer of control of services as the patient simultaneously receives and consumes the benefits provided by our performance. Revenue is recognized on a daily or hourly basis for each patient in accordance with the reimbursement model for each type of service. VITAS' performance obligations relate to contracts with an expected duration of less than one year. Therefore, VITAS has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially satisfied performance obligations referred to above relate to bereavement services provided to patients' families for at least 12 months after discharge.

Care is provided to patients regardless of their ability to pay. Patients who meet our criteria for charity care are provided care without charge. There is no revenue or associated accounts receivable in the accompanying Consolidated Financial Statements related to charity care. The cost of providing charity care during the quarters ended September 30, 2019 and 2018 was $2.3 million and $2.0 million, respectively. The cost of providing charity care during the first nine months ended September 30, 2019 and 2018 was $6.6 million and $6.2 million, respectively. The cost of charity care is included in cost of services provided and goods sold and is calculated by taking the ratio of charity care days to total days of care and multiplying by the total cost of care.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance which vary in amount. VITAS also provides service to patients without a reimbursement source and may offer those patients discounts from standard charges. VITAS estimates the transaction price for patients with deductibles and coinsurance, along with those uninsured patients, based on historical experience and current conditions. The estimate of any contractual adjustments, discounts or implicit price concessions reduces the amount of revenue initially recognized. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the patients' ability to pay (i.e. change in credit risk) are recorded as bad debt expense. VITAS has no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes as the result of an adverse change in the patient's ability to pay for any period reported.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Medicare and Medicaid programs have broad authority to audit and review compliance with such laws and regulations, and impose payment suspensions when merited. Additionally, the contracts we have with commercial health insurance payors provide for retroactive audit and review of claims. Settlement with third party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. The variable consideration is estimated based on the terms of the payment agreement, existing correspondence from the payor and our historical settlement activity. These estimates are adjusted in future periods, as new information becomes available.

We are subject to certain limitations on Medicare payments for services which are considered variable consideration, as follows:

Inpatient Cap. If the number of inpatient care days any hospice program provides to Medicare beneficiaries exceeds 20% of the total days of hospice care such program provided to all Medicare patients for an annual period beginning September 28, the days in excess of the 20% figure may be reimbursed only at the routine homecare rate. None of VITAS' hospice programs exceeded the payment limits on inpatient services during the three and nine months ended September 30, 2019 and 2018.

Medicare Cap. We are also subject to a Medicare annual per-beneficiary cap ("Medicare cap"). Compliance with the Medicare cap is measured in one of two ways based on a provider election. The "streamlined" method compares total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by that Medicare provider number with the product of the per-beneficiary cap amount and the number of Medicare beneficiaries electing hospice care for the first time from that hospice program or programs from September 28 through September 27 of the following year. At September 30, 2019, all our programs except one are using the "streamlined" method.

The "proportional" method compares the total Medicare payments received under a Medicare provider number with respect to services provided to all Medicare hospice care beneficiaries in the program or programs covered by the Medicare provider number between September 28 and September 27 of the following year with the product of the per beneficiary cap amount and a pro-rated number of Medicare beneficiaries receiving hospice services from that program during the same period. The pro-rated number of Medicare beneficiaries is calculated based on the ratio of days the beneficiary received hospice services during the measurement period to the total number of days the beneficiary received hospice services.

We actively monitor each of our hospice programs, by provider number, as to their specific admission, discharge rate and median length of stay data in an attempt to determine whether revenues are likely to exceed the annual per-beneficiary Medicare cap. Should we determine that revenues for a program are likely to exceed the Medicare cap based on projected trends, we attempt to institute corrective actions, which include changes to the patient mix and increased patient admissions. However, should we project our corrective action will not prevent that program from exceeding its Medicare cap, we estimate revenue recognized during the government fiscal year that will require repayment to the Federal government under the Medicare cap and record an adjustment to revenue of an amount equal to a ratable portion of our best estimate for the year.

In 2013, the U.S. government implemented automatic budget reductions of 2.0% for all government payees, including hospice benefits paid under the Medicare program. In 2015, CMS determined that the Medicare cap should be calculated "as if" sequestration did not occur. As a result of this decision, VITAS has received notification from our third-party intermediary that an additional $6.7 million is owed for Medicare cap in three programs arising during the 2013 through 2019 measurement periods. The amounts are automatically deducted from our semi-monthly PIP payments. We do not believe that CMS is authorized under the sequestration authority or the statutory methodology for establishing the Medicare cap to the amounts they have withheld and intend to withhold under their current "as if" methodology. We have appealed CMS's methodology change.

During the quarter ended September 30, 2019, we recorded $1.3 million in net Medicare cap revenue reduction related to four programs for the 2019 government fiscal year. During the quarter ended September 30, 2018, we recorded $2.0 million in net Medicare cap revenue reduction related to two programs for the 2018 government fiscal year.

During the first nine months ended September 30, 2019, we recorded $7.1 million in net Medicare cap revenue reduction related to four programs for the 2019 government fiscal year. Additionally, we recorded $847,000 related to adjustments of prior year cap liabilities. During the nine months ended September 30, 2018, we recorded $487,000 in net Medicare cap revenue reduction related to two programs for the 2018 government fiscal year and $181,000 related to adjustments of prior year cap liabilities. The Medicare cap liability of $11.8 million and $6.4 million as of September 30, 2019 and December 31, 2018 is included in other current liabilities on the Consolidated Financial Statements.

For VITAS' patients in the nursing home setting in which Medicaid pays the nursing home room and board, VITAS serves as a pass-through between Medicaid and the nursing home. We are responsible for paying the nursing home for that patient's room and board. Medicaid reimburses us for 95% of the amount we have paid. This results in a 5% net expense for VITAS related to nursing home room and board. This transaction creates a performance obligation in that VITAS is facilitating room and board being delivered to our patient. As a result, the 5% net expense is recognized as a contra-revenue account under ASC 606 in the accompanying financial statements.

The composition of patient care service revenue by payor and level of care for the quarter ended September 30, 2019 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 255,856	$ 12,332	6,558	$ 274,746
Continuous care	26,423	1,549	1,474	29,446
Inpatient care	20,038	1,976	1,585	23,599
	$ 302,317	$ 15,857	$ 9,617	$ 327,791
All other revenue - self-pay, respite care, etc.				2,356
Subtotal				$ 330,147
Medicare cap adjustment				(1,317)
Implicit price concessions				(4,236)
Room and board, net				(2,846)
Net revenue				$ 321,748

The composition of patient care service revenue by payor and level of care for the quarter ended September 30, 2018 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 239,590	$ 11,984	$ 5,560	$ 257,134
Continuous care	27,391	1,539	1,455	30,385
Inpatient care	16,287	1,998	1,332	19,617
	$ 283,268	$ 15,521	$ 8,347	$ 307,136
All other revenue - self-pay, respite care, etc.				2,104
Subtotal				$ 309,240
Medicare cap adjustment				(1,950)
Implicit price concessions				(2,957)
Room and board, net				(2,569)
Net revenue				$ 301,764

The composition of patient care service revenue by payor and level of care for the nine months ended September 30, 2019 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	**$ 745,835**	**$ 35,913**	**$ 18,311**	**$ 800,059**
Continuous care	**83,372**	**4,744**	**4,360**	**92,476**
Inpatient care	**58,309**	**6,241**	**4,513**	**69,063**
	$ 887,516	**$ 46,898**	**$ 27,184**	**$ 961,598**
All other revenue - self-pay, respite care, etc.				**6,598**
Subtotal				**$ 968,196**
Medicare cap adjustment				**(7,915)**
Implicit price concessions				**(10,904)**
Room and board, net				**(8,098)**
Net revenue				**$ 941,279**

The composition of patient care service revenue by payor and level of care for the nine months ended September 30, 2018 is as follows (in thousands):

	Medicare	Medicaid	Commercial	Total
Routine home care	$ 696,248	$ 35,283	$ 17,015	$ 748,546
Continuous care	82,604	4,570	4,490	91,664
Inpatient care	52,174	5,899	3,730	61,803
	$ 831,026	$ 45,752	$ 25,235	$ 902,013
All other revenue - self-pay, respite care, etc.				5,844
Subtotal				$ 907,857
Medicare cap adjustment				(668)
Implicit price concessions				(8,749)
Room and board, net				(7,863)
Net revenue				$ 890,577

Roto-Rooter

Roto-Rooter provides plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers primarily in the United States. Services are provided through a network of company-owned branches, independent contractors and franchisees. Service revenue for Roto-Rooter is reported at the amount that reflects the ultimate consideration we expect to receive in exchange for providing services.

Roto-Rooter owns and operates branches focusing mainly on large population centers in the United States. Roto-Rooter's primary lines of business in company-owned branches consist of plumbing, sewer and drain cleaning, excavation and water restoration. For purposes of ASC 606 analysis, plumbing, sewer and drain cleaning, and excavation have been combined into one portfolio and are referred to as "short-term core services". Water restoration is analyzed as a separate portfolio. The following describes the key characteristics of these portfolios:

Short-term Core Services are plumbing, drain and sewer cleaning and excavation services. These services are provided to both commercial and residential customers. The duration of services provided in this category range from a few hours to a few days. There are no significant warranty costs or on-going obligations to the customer once a service has been completed. For residential customers, payment is received at the time of job completion before the Roto-Rooter technician leaves the residence. Commercial customers may be granted credit subject to internally designated authority limits and credit check guidelines. If credit is granted, payment terms are generally 30 days or less.

Each job in this category is a distinct service with a distinct performance obligation to the customer. Revenue is recognized at the completion of each job. Variable consideration consists of pre-invoice discounts and post-invoice discounts. Pre-invoice discounts are given in the form of coupons or price concessions. Post-invoice discounts consist of credit memos generally granted to resolve customer service issues. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

Water Restoration Services involve the remediation of water and humidity after a flood. These services are provided to both commercial and residential customers. The duration of services provided in this category generally ranges from 3 to 5 days. There are no significant warranties or on-going obligations to the customer once service has been completed. The majority of these services are paid by the customer's insurance company. Variable consideration relates primarily to allowances taken by insurance companies upon payment. Variable consideration is estimated based on historical activity and recorded at the time service is completed.

For both short-term core services and water restoration services, Roto-Rooter satisfies its performance obligation at a point in time. The services provided generally involve fixing plumbing, drainage or flood-related issues at the customer's property. At the time service is complete, the customer acknowledges its obligation to pay for service and its satisfaction with the service performed. This provides evidence that the customer has accepted the service and Roto-Rooter is now entitled to payment. As such, Roto-Rooter recognizes revenue for these services upon completion of the job and receipt of customer acknowledgement. Roto-Rooter's performance obligations for short-term core services and water restoration services relate to contracts with an expected duration of less than a year. Therefore, Roto-Rooter has elected to apply the optional exception provided in ASC 606 and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Roto-Rooter does not have significant unsatisfied or partially unsatisfied performance obligations at the time of initial revenue recognition for short-term core or water restoration services.

Roto-Rooter owns the rights to certain territories and contracts with independent third-parties to operate the territory under Roto-Rooter's registered trademarks. Such contracts are for a specified term but cancellable by either party without penalty with 90 days' advance notice. Under the terms of these arrangements, Roto-Rooter provides certain back office support and advertising along with a limited license to use Roto-Rooter's registered trademarks. The independent contractor is responsible for all day-to-day management of the business including staffing decisions and pricing of services provided. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Independent contractors pay Roto-Rooter a standard fee calculated as a percentage of their weekly labor sales. The primary value for the independent contractors under these arrangements is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from independent contractors over-time (weekly) as the independent contractor's labor sales are completed. Payment from independent contractors is also received on a weekly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the independent contractor as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

Roto-Rooter has licensed the rights to operate under Roto-Rooter's registered trademarks in other territories to franchisees. Each such contract is for a 10 year term but cancellable by Roto-Rooter for cause with 60 day advance notice without penalty. The franchisee may cancel the contract for any reason with 60 days advance notice without penalty. Under the terms of the contract, Roto-Rooter provides national advertising and consultation on various aspects of operating a Roto-Rooter business along with the right to use Roto-Rooter's registered trademarks. The franchisee is responsible for all day- to-day management of the business including staffing decisions, pricing of services provided and local advertising spend and placement. All performance obligations of Roto-Rooter cease at the termination of the arrangement.

Franchisees pay Roto-Rooter a standard monthly fee based on the population within the franchise territory. The standard fee is revised on a yearly basis based on changes in the Consumer Price Index for All Urban Consumers. The primary value for the franchisees under this arrangement is the right to use Roto-Rooter's registered trademarks. Roto-Rooter recognizes revenue from franchisees over-time (monthly). Payment from franchisees is also received on a monthly basis. The use of Roto-Rooter's registered trademarks and advertising provides immediate value to the franchisees as a result of Roto-Rooter's nationally recognized brand. Therefore, over-time recognition provides the most faithful depiction of the transfer of services as the customer simultaneously receives and consumes the benefits provided. There is no significant variable consideration related to these arrangements.

The composition of disaggregated revenue for the third quarter is as follows (in thousands):

	September 30, 2019	September 30, 2018
Short-term core service jobs	$ 115,135	$ 102,346
Water restoration	25,738	25,001
Contractor revenue	14,342	12,219
Franchise fees	1,819	1,593
All other	2,791	2,876
Subtotal	$ 159,825	$ 144,035
Implicit price concessions and credit memos	(960)	(1,648)
Net revenue	$ 158,865	$ 142,387

The composition of disaggregated revenue for the first nine months is as follows (in thousands):

	September 30, 2019	September 30, 2018
Short-term core service jobs	$ 341,337	$ 311,518
Water restoration	81,629	77,502
Contractor revenue	42,931	36,950
Franchise fees	5,063	4,758
All other	8,773	9,032
Subtotal	$ 479,733	$ 439,760
Implicit price concessions and credit memos	(4,781)	(5,197)
Net revenue	$ 474,952	$ 434,563

Initial Adoption of ASC 606

The Company utilized the modified retrospective method of adoption for all contracts. The Company has consistently applied the accounting policies to all periods presented in the Consolidated Financial Statements. Sales tax collected from customers at Roto-Rooter is excluded from revenue under ASC 606 and prior revenue standards.

3. Segments

Service revenues and sales by business segment are shown in Footnote 2. After-tax earnings by business segment are as follows (in thousands):

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
After-tax Income/(Loss)				
VITAS	$ 39,773	$ 35,921	$ 106,400	$ 99,720
Roto-Rooter	26,140	24,563	76,302	72,799
Total	65,913	60,484	182,702	172,519
Corporate	(6,966)	(9,235)	(28,359)	(21,303)
Net income	$ 58,947	$ 51,249	$ 154,343	$ 151,216

We report corporate administrative expenses and unallocated investing and financing income and expense not directly related to either segment as “Corporate”.

4. Earnings per Share

Earnings per share ("EPS") are computed using the weighted average number of shares of capital stock outstanding. Earnings and diluted earnings per share are computed as follows (in thousands, except per share data):

For the Three Months Ended September 30,	Income		Net Income Shares	Earnings per Share	
2019					
Earnings	**$**	**58,947**	**15,970**	**$**	**3.69**
Dilutive stock options		**-**	**500**		
Nonvested stock awards		**-**	**85**		
Diluted earnings	**$**	**58,947**	**16,555**	**$**	**3.56**
2018					
Earnings	$	51,249	16,074	$	3.19
Dilutive stock options		-	613		
Nonvested stock awards		-	85		
Diluted earnings	$	51,249	16,772	$	3.06

For the Nine Months Ended September 30,	Income		Net Income Shares	Earnings per Share	
2019					
Earnings	**$**	**154,343**	**15,952**	**$**	**9.68**
Dilutive stock options		**-**	**484**		
Nonvested stock awards		**-**	**78**		
Diluted earnings	**$**	**154,343**	**16,514**	**$**	**9.35**
2018					
Earnings	$	151,216	16,070	$	9.41
Dilutive stock options		-	662		
Nonvested stock awards		-	98		
Diluted earnings	$	151,216	16,830	$	8.98

For the three months ended September 30, 2019, there were no stock options excluded in the computation of dilutive earnings per share because they would have been anti-dilutive.

For the nine months ended September 30, 2019, there were 246,000 stock options excluded in the computation of dilutive earnings per share because they would have been anti-dilutive.

For the three and nine month periods ended September 30, 2018, there were no stock options excluded in the computation of dilutive earnings per share because they would have been anti-dilutive.

5. Long-Term Debt and Lines of Credit

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement ("2018 Credit Agreement"). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The interest rate at the inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio. The amount outstanding as of September 30, 2019 is $130.0 million.

Debt issuance costs associated with the prior credit agreement were not written off as the lenders and their relative percentages participation in the facility did not change. With respect to the 2018 Credit Agreement, deferred financing costs were $1.0 million.

The 2018 Credit Agreement contains the following quarterly financial covenants:

Description	Requirement
Leverage Ratio (Consolidated Indebtedness/Consolidated Adj. EBITDA)	< 3.50 to 1.00
Fixed Charge Coverage Ratio (Consolidated Free Cash Flow/Consolidated Fixed Charges)	> 1.50 to 1.00

We are in compliance with all debt covenants as of September 30, 2019. We have issued $37.9 million in standby letters of credit as of September 30, 2019, mainly for insurance purposes. Issued letters of credit reduce our available credit under the 2018 Credit Agreement. As of September 30, 2019, we have approximately $282.1 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility.

6. Other Operating Expenses/(Income)

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Litigation settlement	**$ -**	$ -	$ **6,000**	$ (204)
Transportation equipment sold	**-**	-	**2,266**	-
Loss on disposal of fixed assets	**78**	257	**735**	292
Total other operating expenses	**$ 78**	$ 257	**$ 9,001**	$ 88

During the nine months ended September 30, 2019, the Company recorded $6.0 million for a potential legal settlement, which includes the settlement amount, estimated employment taxes and other litigation costs. See footnote 11 for further discussion.

7. Other Income – Net

Other income – net comprises the following (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Market value adjustment on assets held in deferred compensation trust	**$ 2,886**	$ 2,189	$ **5,094**	$ 3,827
Interest income	**173**	111	**387**	529
Other - net	**(23)**	-	**7**	-
Total other income - net	**$ 3,036**	$ 2,300	**$ 5,488**	$ 4,356

8. Leases

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for IPUs and/or contract beds within hospitals. Roto-Rooter has leased office space. Our leases have remaining terms of under 1 year to 10 years, some of which include options to extend the lease for up to 5 years, and some of which include options to terminate the lease within 1 year.

We made a policy election to exclude leases with a lease term less than 12 months from being recorded on the balance sheet. We adopted the practical expedient related to the combining of lease and non-lease components, which allows us to account for the lease and non-lease components as a single lease component.

Adoption of the new standard resulted in right of use assets and lease liabilities of approximately $87.8 million and $98.7 million, respectively, as of March 31, 2019. In determining the liability, we used our incremental borrowing rate based on the information available at the time of adoption, since the rate implicit in the leases cannot be readily determined. At

January 1, 2019, the weighted average rate was 3.47%. The standard did not materially impact our consolidated net income or cash flows. We did not book a cumulative effect adjustment upon adoption of the standard.

We do not currently have any finance leases, all lease information disclosed is related to operating leases.

The components of balance sheet information related to leases were as follows:

	As of September 30, 2019
Assets	
Operating lease assets	$ 103,286
Liabilities	
Current operating leases	33,761
Noncurrent operating leases	82,012
Total operating lease liabilities	$ 115,773

The components of lease expense were as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Lease Expense (a)		
Operating lease expense	$ 12,728	$ 35,181
Sublease income	-	(6)
Net lease expense	$ 12,728	$ 35,175

(a) Includes short-term leases and variable lease costs, which are immaterial. Included in both cost of services provided and goods sold and selling, general and administrative expenses.

The components of cash flow information related to leases were as follows:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from leases	$ 10,605	$ 30,237
Leased assets obtained in exchange for new operating lease liabilities	$ 22,946	$ 38,890
Weighted Average Remaining Lease Term		
Operating leases		4.63years
Weighted Average Discount Rate		
Operating leases		3.38%

Maturity of Operating Lease Liabilities (in thousands)

2019	$	**37,852**
2020		28,242
2021		21,181
2022		13,976
2023		9,642
Thereafter		15,125
Total lease payments	$	126,018
Less: interest		(9,381)
Less: future lease obligations not yet commenced		(864)
Total liability recognized on the balance sheet	$	115,773

The following is a summary of future minimum rental payments under operating leases that have initial noncancelable terms in excess of one year at December 31, 2018:

Maturity of Operating Lease Liabilities (in thousands)

2019	$	**26,791**
2020		24,152
2021		19,669
2022		13,851
2023		8,179
Thereafter		10,974
Total lease payments	$	103,616

For leases commencing prior to 2019, minimum rental payments exclude payments to landlords for real estate taxes and common area maintenance. Operating lease payments include $2.3 million related to extended lease terms that are reasonably certain of being exercised and exclude $864,000 lease payments for leases signed but not yet commenced.

9. Stock-Based Compensation Plans

On February 22, 2019, the Compensation/Incentive Committee of the Board of Directors ("CIC") granted 6,864 Performance Stock Units ("PSUs") contingent upon the achievement of certain total shareholder return ("TSR") targets as compared to the TSR of a group of peer companies for the three year period ending December 31, 2021, the date at which such awards vest. The cumulative compensation cost of the TSR-based PSU award to be recorded over the three year service period is $3.0 million.

On February 22, 2019, the CIC also granted 6,864 PSUs contingent upon the achievement of certain earnings per share ("EPS") targets for the three year period ending December 31, 2021. At the end of each reporting period, the Company estimates the number of shares that it believes will ultimately be earned and records the corresponding expense over the service period of the award. We currently estimate the cumulative compensation cost of the EPS-based PSUs to be recorded over the three year service period is $2.2 million.

10. Retirement Plans

All of the Company's plans that provide retirement and similar benefits are defined contribution plans. These expenses include the impact of market gains and losses on assets held in deferred compensation plans and are recorded in selling, general and administrative expenses. Expenses for the Company's retirement and profit-sharing plans, excess benefit plans and other similar plans are as follows (in thousands):

Three months ended September 30,		Nine months ended September 30,	
2019	2018	2019	2018
$ 6,445	$ 5,463	**$ 17,155**	$ 15,436

11. Legal and Regulatory Matters

The VITAS segment of the Company's business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, which can result in penalties including repayment obligations, funding withholding, or debarment, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. Other than as described below, it is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

Regulatory Matters and Litigation

On October 30, 2017, the Company entered into a settlement agreement (the "Settlement Agreement") to resolve civil litigation under the False Claims Act brought by the United States Department of Justice ("DOJ") on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri (the "2013 Action"). The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement VITAS and certain of its subsidiaries entered into a corporate integrity agreement ("CIA") on October 30, 2017. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document compliance with federal healthcare program requirements. It has a term of five years during which it imposes monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. In the event of breach of the CIA, VITAS could become liable for payment of stipulated penalties or could be excluded from participation in federal healthcare programs.

The Company has also entered into a settlement agreement that, once approved by the Los Angeles County Superior Court, will resolve state-wide wage and hour class action claims raised in four separate cases: (1) *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 ("*Seper*"); (2) *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL ("*Chhina*") (which was subsequently merged with *Seper*); (3) *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755; and (4) *Williams v. VITAS Healthcare Corporation of California*, Alameda County Superior Court Case No. RG 17853886. These actions were brought by both current and former employees including a registered nurse, a licensed vocational nurse (LVN), home health aides and a social worker. Each action stated multiple claims generally including (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. The cases generally asserted claims on behalf of classes defined to include all current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of each lawsuit. For additional procedural history of these cases, please refer to our prior quarterly and annual filings.

The *Seper* and *Chhina* cases were consolidated in Los Angeles County Superior Court; *Chhina* was dismissed as a separate action and joined with *Seper* in the filing of amended complaint on August 28, 2018, in which both *Chhina* and *Seper* were identified as named plaintiffs. Discovery in the remaining cases was stayed as to class claims and each court was advised of the pendency of the consolidated *Seper/Chhina* action. The parties engaged in a mediation process beginning in October 2018 and concluded with an agreement in March 2019. The settlement amount, subject to court approval, is $5.75 million plus employment taxes. As of September 30, 2019, $6.0 million was accrued in the accompanying Consolidated Balance Sheet. The definition of the class to participate in the settlement is intended to cover claims raised in the consolidated *Seper/Chhina* matter, claims raised in *Phillips and Moore*, as well as any class claims in *Williams*. The parties have filed a motion for preliminary approval of the settlement and notice to class members and eventual final approval and payment. The hearing on this approval motion is December 2, 2019

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time, with the exception of *Seper/Chhina, Phillips and Moore* and the class claims in *Williams.*

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

12. Concentration of Risk

During the quarter VITAS had pharmacy services agreements with one service provider to provide specified pharmacy services for VITAS and its hospice patients. VITAS made purchases from this provider of $7.0 and $8.0 million for the three months ended September 30, 2019 and 2018, respectively. VITAS made purchases from this provider of $21.3 and $24.1 million for the first nine months ended September 30, 2019 and 2018, respectively. Purchases from this provider represent more than 90% of all pharmacy services purchased by VITAS during each period presented.

13. Cash Overdrafts and Cash Equivalents

There are $6.2 million in cash overdrafts payable included in accounts payable at September 30, 2019 (December 31, 2018 - $13.8 million).

From time to time throughout the year, we invest excess cash in money market funds with major commercial banks. We closely monitor the creditworthiness of the institutions with which we invest our overnight funds. The amount invested was not material for each balance sheet date presented.

14. Financial Instruments

FASB's authoritative guidance on fair value measurements defines a hierarchy which prioritizes the inputs in fair value measurements. Level 1 measurements are measurements using quoted prices in active markets for identical assets or liabilities. Level 2 measurements use significant other observable inputs. Level 3 measurements are measurements using significant unobservable inputs which require a company to develop its own assumptions. In recording the fair value of assets and liabilities, companies must use the most reliable measurement available.

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of September 30, 2019 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund investments of deferred compensation plans held in trust	**$ 73,714**	**$ 73,714**	**$ -**	**$ -**
Total debt	**130,000**	**-**	**130,000**	**-**

The following shows the carrying value, fair value and the hierarchy for our financial instruments as of December 31, 2018 (in thousands):

		Fair Value Measure		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund investments of deferred compensation plans held in trust	$ 65,624	$ 65,624	$ -	$ -
Total debt	89,200	-	89,200	-

For cash and cash equivalents, accounts receivable and accounts payable, the carrying amount is a reasonable estimate of fair value because of the liquidity and short-term nature of these instruments. As further described in Footnote 5, our outstanding long-term debt and current portion of long-term debt have floating interest rates that are reset at short-term intervals, generally 30 or 60 days. The interest rate we pay also includes an additional amount based on our current leverage ratio. As such, we believe our borrowings reflect significant nonperformance risks, mainly credit risk. Based on these factors, we believe the fair value of our long-term debt and current portion of long-term debt approximate the carrying value.

15. Capital Stock Repurchase Plan Transactions

We repurchased the following capital stock for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	**2018**	**2019**	**2018**
Total cost of repurchased shares (in thousands)	**$ -**	$ 37,672	**$ 71,926**	$ 121,976
Shares repurchased	**-**	120,622	**219,009**	430,622
Weighted average price per share	**$ -**	$ 312.31	**$ 328.41**	$ 283.26

In February 2019, the Board of Directors authorized an additional $150.0 million for stock repurchase under Chemed's existing share repurchase program. We currently have $124.7 million of authorization remaining under this share repurchase plan.

16. Recent Accounting Standards

In January 2017, the FASB issued Accounting Standards Update "ASU No. 2017-4 – Intangibles – Goodwill and Other". To simplify the subsequent measurement of goodwill, the FASB eliminated Step 2 from the goodwill impairment test. The guidance in the ASU is effective for the Company in fiscal years beginning after December 15, 2019. Early adoption is permitted. We anticipate adoption of this standard will have no impact on our Consolidated Financial Statements.

In June 2016, FASB issued Accounting Standards Update "ASU No. 2016-13 - Measurement of Credit Losses on Financial Instruments". The ASU requires the use of the current expected credit loss model to measure impairments of financial assets. The ASU is effective for the Company for fiscal years beginning after December 15, 2019. Management does not expect the adoption to have a material effect on the Consolidated Financial Statements.

17. Acquisitions

On August 2, 2019, we entered into an Asset Purchase Agreement (the "Agreement") to purchase substantially all of the assets of HSW RR, Inc., a Delaware corporation ("HSW") and certain related assets of its affiliates, for $120 million, subject to a working capital adjustment. HSW owned and operated fourteen Roto-Rooter franchises mainly in the southwestern section of the United States, including Los Angeles, Dallas and Phoenix. Included in the assets purchased were the assets of Western Drain Supply, Inc., a plumbing supply company. The purchase was made using a combination of cash on-hand and borrowings under Chemed's existing $450 million revolving credit facility. On September 16, 2019, we completed the acquisition.

On July 1, 2019, we completed the acquisition of a Roto-Rooter franchise and the related assets in Oakland, CA for $18.0 million in cash.

The acquisitions were made as a continuation of Roto-Rooter's strategy to re-acquire franchises in large markets in the United States. The allocation of the fair value of the acquired business was based upon a preliminary valuation. Mainly as a result of the timing of the HSW acquisition, our estimates and assumptions are subject to change as we obtain additional information for our estimates during the fourth quarter of 2019. The primary areas of the allocation of the fair value consideration transferred that are not yet finalized relate to the fair value of working capital. The allocation for the two acquisitions completed in the third quarter of 2019 is as follows (in thousands):

	HSW	Oakland	Total
Goodwill	$ 55,448	$ 10,535	$ 65,983
Reacquired franchise rights	52,980	6,190	59,170
Property, plant, and equipment	5,699	675	6,374
Working capital	3,574	22	3,596
Customer relationships	2,220	500	2,720
Non-compete agreements	140	100	240
Other assets and liabilities - net	(96)	23	(73)
	$ 119,965	$ 18,045	$ 138,010

Reacquired franchise rights, included in identifiable intangibles on the Consolidated Balance Sheets, are amortized over the period remaining in each individual franchise agreement. The average amortization period for reacquired franchise rights for the acquisitions made in the third quarter of 2019 is 7.4 years.

The franchise fee revenue, the valuation of reacquired franchise rights and amortization for the acquired franchises are as follows:

	2018 Franchise Revenue	Valuation of Reacquired Franchise Rights	Annualized Amortization of Reacquired Franchise Rights
HSW	$ 1,782	$ 52,980	$ 7,258
Oakland	95	6,190	825
Subtotal	1,877	$ 59,170	$ 8,083
All other franchise territories	4,505		
	$ 6,382		

Amortization of acquired and cancelled franchise agreements comprises the following (in thousands):

Three months ended September 30,		Nine months ended September 30,	
2019	2018	2019	2018
$ 331	$ -	$ 1,103	$ -

Customer relationships, included in identifiable intangibles on the Consolidated Balance Sheets, are amortized over an average amortization period of 20.4 years. Non-compete agreements are amortized over the period of the agreement. The average amortization period for non-compete agreements for the transactions made in the third quarter of 2019 is 4.0 years.

Goodwill is assessed for impairment on a yearly basis as of October 1. The primary factor that contributed to the purchase price resulting in the recognition of goodwill is operational efficiencies expected as a result of consolidating stand- alone franchises and Roto-Rooter's network of nationwide branches. All goodwill recognized is deductible for tax purposes.

The revenue and earnings included in the Company's results of financial operation since the acquisition date of the transactions completed in the third quarter of 2019 are not material.

During 2018, we completed four business combinations of former franchisees within the Roto-Rooter segment for $42.2 million in cash to increase our market penetration. The VITAS segment completed one business combination in Florida for $11.0 million to increase our market penetration.

The pro forma revenue and earnings of the Company, as if all acquisitions made in fiscal 2018 and 2019 were completed on January 1, 2018, are as follows (in thousands, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Service revenues and sales	**$ 500,108**	$ 472,090	**$ 1,479,859**	$ 1,420,535
Net income	**$ 62,154**	$ 56,408	**$ 164,562**	$ 166,640
Earnings per share	**$ 3.89**	$ 3.51	**$ 10.32**	$ 10.37
Diluted earnings per share	**$ 3.75**	$ 3.36	**$ 9.96**	$ 9.90

There are no material pro forma adjustments directly attributable to the acquisition included in the reported pro-forma revenue and earnings.

Shown below is movement in Goodwill (in thousands):

	VITAS	Roto-Rooter	Total
Balance at December 31, 2018	$ 333,331	$ 177,239	$ 510,570
Business combinations	-	65,983	65,983
Foreign currency adjustments	-	47	47
Balance at September 30, 2019	$ 333,331	$ 243,269	$ 576,600

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

We operate through our two wholly-owned subsidiaries, VITAS Healthcare Corporation and Roto-Rooter Group, Inc. VITAS focuses on hospice care that helps make terminally ill patients' final days as comfortable as possible. Through its teams of doctors, nurses, home health aides, social workers, clergy and volunteers, VITAS provides direct medical services to patients, as well as spiritual and emotional counseling to both patients and their families. Roto-Rooter's services are focused on providing plumbing, drain cleaning, water restoration and other related services to both residential and commercial customers. Through its network of company-owned branches, independent contractors and franchisees, Roto-Rooter offers plumbing and drain cleaning service to over 90% of the U.S. population.

The following is a summary of the key operating results (in thousands except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2019	**2018**	**2019**	**2018**
Service revenues and sales	**$ 480,613**	$ 444,151	**$ 1,416,231**	$ 1,325,140
Net income	**$ 58,947**	$ 51,249	**$ 154,343**	$ 151,216
Diluted EPS	**$ 3.56**	$ 3.06	**$ 9.35**	$ 8.98
Adjusted net income	**$ 57,213**	$ 51,456	**$ 160,603**	$ 144,465
Adjusted diluted EPS	**$ 3.46**	$ 3.07	**$ 9.73**	$ 8.58
Adjusted EBITDA	**$ 86,907**	$ 77,740	**$ 246,794**	$ 224,189
Adjusted EBITDA as a % of revenue	**18.1 %**	17.5 %	**17.4 %**	16.9 %

Adjusted net income, adjusted diluted EPS, earnings before interest, taxes and depreciation and amortization ("EBITDA"), Adjusted EBITDA and Adjusted EBITDA as a percent of revenue are not measures derived in accordance with US GAAP. We provide non-GAAP measures to help readers evaluate our operating results and to compare our operating performance with that of similar companies that have different capital structures. Our non-GAAP measures should not be considered in isolation or as a substitute for comparable measures presented in accordance with GAAP. A reconciliation of our non-GAAP measures is presented on pages 39-41.

For the three months ended September 30, 2019, the increase in consolidated service revenues and sales was driven by a 11.6% increase at Roto-Rooter and a 6.6% increase at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. The increase in service revenues at VITAS is comprised primarily of a 0.5% geographically weighted average Medicare reimbursement rate increase, a 6.3% increase in days of care, and a $633,000 decrease in Medicare cap revenue reduction. This growth was partially offset by acuity mix shift, fluctuations in net room and board and contractual adjustments, the combination of which negatively impacted revenue growth approximately 0.4%, when compared to the prior-year period. See page 42 for additional VITAS operating metrics.

For the nine months ended September 30, 2019, the increase in consolidated service revenues and sales was driven by an 9.3% increase at Roto-Rooter and a 5.7% increase at VITAS. The increase in service revenues at Roto-Rooter was driven by an increase in all major service lines. The increase in service revenues at VITAS is comprised primarily of a 0.5% geographically weighted average Medicare reimbursement rate increase, a 6.3% increase in days of care, offset by $7.9 million in Medicare cap revenue reduction. The first nine months of 2018 included a reversal of prior Medicare cap expense of $668,000 million. See page 42 for additional VITAS operating metrics.

In February 2016, the FASB issued Accounting Standards Update "ASU No. 2016-02 Leases" which introduced a lessee model that brings most leases on to the balance sheets and updates lessor accounting to align with changes in the lessee model and the revenue recognition standard. This standard is also referred to as Accountings Standards Codification No.842 ("ASC 842"). We adopted ASC 842 effective January 1, 2019, using the optional transition method requiring leases existing at, or entered into after, January 1, 2019 to be recognized and measured. The transition method selected does not require adjustments to prior period amounts, which continue to be reflected in accordance with historical accounting. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which among other things, allowed us to carry forward the historical lease classification.

Chemed and each of its operating subsidiaries are service companies. As such, real estate leases comprise the largest lease obligation (and conversely, right of use asset) in our lease portfolio. VITAS has leased office space, as well as space for inpatient units ("IPUs") and/or contract beds within hospitals. Roto-Rooter mainly has leased office space.

Roto-Rooter purchases equipment and leases it to certain of its independent contractors. We analyzed these leases in accordance with ASC 842 and determined they are operating leases. As a result, Roto-Rooter will continue to capitalize the equipment underlying these leases, depreciate the equipment and recognize rental income.

Adoption of the new standard resulted in right of use assets and lease liabilities of $87.8 million and $98.7 million, respectively, as of March 31, 2019. In determining the liability, we used our incremental borrowing rate based on the information available at the time of adoption, since the rate implicit in the leases cannot be readily determined. At January 1, 2019, the weighted average rate was 3.47%. The standard did not materially impact our consolidated net income or cash flows. We did not book a cumulative effect adjustment upon adoption of the standard.

On August 2, 2019, we entered into an Asset Purchase Agreement (the "Agreement") to purchase substantially all of the assets of HSW RR, Inc., a Delaware corporation ("HSW") and certain related assets of its affiliates, for $120 million, subject to a working capital adjustment. HSW owned and operated fourteen Roto-Rooter franchises mainly in the southwestern section of the United States, including Los Angeles, Dallas and Phoenix. Included in the assets purchased were the assets of Western Drain Supply, Inc., a plumbing supply company. The purchase was made using a combination of cash on-hand and borrowings under Chemed's existing $450 million revolving credit facility. On September 16, 2019, we completed the acquisition.

On July 1, 2019, we completed the acquisition of a Roto-Rooter franchise and the related assets in Oakland, CA for $18.0 million in cash.

Reacquired franchise rights, included in identifiable intangibles on the Consolidated Balance Sheets, are amortized over the period remaining in each individual franchise agreement. The average amortization period for reacquired franchise rights for the acquisitions made in the third quarter of 2019 is 7.4 years.

The franchise fee revenue, the valuation of reacquired franchise rights and amortization for the acquired franchises are as follows:

	2018 Franchise Revenue	Valuation of Reacquired Franchise Rights	Multiple of Annual Franchise Fees to Reacquired Franchise Rights	Annualized Amortization of Reacquired Franchise Rights
HSW	$ 1,782	$ 52,980	29.7 yrs	$ 7,258
Oakland	95	6,190	65.2	825
Subtotal	1,877	$ 59,170	31.5 yrs	$ 8,083
All other franchise territories	4,505			
	$ 6,382			

Amortization of acquired and cancelled franchise agreements comprises the following (in thousands):

Three months ended September 30,		Nine months ended September 30,	
2019	2018	2019	2018
$ 331	$ -	$ 1,103	$ -

Financial Condition

Liquidity and Capital Resources

Material changes in the balance sheet accounts from December 31, 2018 to September 30, 2019 include the following:

- A $10.9 million increase in properties and equipment mainly due to business combinations.
- A $103.3 million increase in lease right of use assets due to the adoption of ASC 842.
- A $61.0 million increase in identifiable intangibles due to business combinations.
- A $66.0 million increase in goodwill due to business combinations.
- An $11.9 increase in accrued compensation primarily due to timing of month end payroll at VITAS.
- A $33.8 million and $82.2 million increase in short-term and long-term lease liability, respectively, due to the adoption of ASC 842.
- A $13.2 million increase in other current liabilities mainly due to a $5.4 million increase in accrued medicare cap, $2.5 million in increased accrued administrative expenses and a $2.2 million increase in accrued acquisition expenses.
- A $40.8 million increase in long-term debt due mainly to business combinations.
- A $126.6 million increase in treasury stock due mainly to stock repurchases.

Net cash provided by operating activities increased $7.0 million from September 30, 2018 to September 30, 2019. Significant changes in our accounts receivable balances are typically driven by the timing of payments received from the Federal government at our VITAS subsidiary. We typically receive a payment in excess of $40.0 million from the Federal government from hospice services every other Friday. The timing of period end will have a significant impact on the accounts receivable at VITAS. These changes generally normalize over a two year period, as cash flow variations in one year are offset in the following year.

Management continually evaluates cash utilization alternatives, including share repurchase, debt repurchase, acquisitions and increased dividends to determine the most beneficial use of available capital resources.

On June 20, 2018, we replaced our existing credit agreement with the Fourth Amended and Restated Credit Agreement (“2018 Credit Agreement”). Terms of the 2018 Credit Agreement consist of a five year, $450 million revolving credit facility and a $150 million expansion feature, which may consist of term loans or additional revolving commitments. The revolving credit facility has a five year maturity with principal payments due at maturity. The interest rate at the inception of the agreement is LIBOR plus 100 basis points. The 2018 Credit Agreement has a floating interest rate that is generally LIBOR plus a tiered additional rate which varies based on our current leverage ratio.

We have issued $37.9 million in standby letters of credit as of September 30, 2019, mainly for insurance purposes. Issued letters of credit reduce our available credit under the revolving credit agreement. As of September 30, 2019, we have approximately $282.1 million of unused lines of credit available and eligible to be drawn down under our revolving credit facility. Management believes its liquidity and sources of capital are satisfactory for the Company’s needs in the foreseeable future.

Commitments and Contingencies

Collectively, the terms of our credit agreements require us to meet various financial covenants, to be tested quarterly. We are in compliance with all financial and other debt covenants as of September 30, 2019 and anticipate remaining in compliance throughout the foreseeable future.

The VITAS segment of the Company’s business operates in a heavily-regulated industry. As a result, the Company is subjected to inquiries and investigations by various government agencies, which can result in penalties including repayment obligations, funding withholding, or debarment, as well as to lawsuits, including *qui tam* actions. The following sections describe the various ongoing material lawsuits and investigations of which the Company is currently aware. Other than as described below, it is not possible at this time for us to estimate either the timing or outcome of any of those matters, or whether any potential loss, or range of potential losses, is probable or reasonably estimable.

On October 30, 2017, the Company entered into a settlement agreement (the “Settlement Agreement”) to resolve civil litigation under the False Claims Act brought by the United States Department of Justice (“DOJ”) on behalf of the OIG and various relators concerning VITAS, filed in the U.S. District Court of the Western District of Missouri (the "2013 Action"). The Company denied any violation of law and agreed to settlement without admission of wrongdoing.

In connection with the settlement VITAS and certain of its subsidiaries entered into a corporate integrity agreement ("CIA") on October 30, 2017. The CIA formalizes various aspects of VITAS' already existing Compliance Program and contains requirements designed to document compliance with federal healthcare program requirements. It has a term of five years during which it imposes monitoring, reporting, certification, oversight, screening and training obligations, certain of which had previously been implemented by VITAS. It also requires VITAS to engage an Independent Review Organization to perform audit and review functions and to prepare reports regarding compliance with federal healthcare programs. In the event of breach of the CIA, VITAS could become liable for payment of stipulated penalties or could be excluded from participation in federal healthcare programs.

The Company has also entered into a settlement agreement that, once approved by the Los Angeles County Superior Court, will resolve state-wide wage and hour class action claims raised in four separate cases: (1) *Jordan A. Seper on behalf of herself and others similarly situated v. VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corp of CA, a business entity unknown; and DOES 1 to 100, inclusive*; Los Angeles Superior Court Case Number BC 642857 ("*Seper*"); (2) *Jiwan Chhina v. VITAS Health Services of California, Inc., a California corporation; VITAS Healthcare Corporation of California, a Delaware corporation; VITAS Healthcare Corporation of California, a Delaware corporation dba VITAS Healthcare Inc.; and DOES 1 to 100, inclusive*; San Diego Superior Court Case Number 37-2015-00033978-CU-OE-CTL ("*Chhina*") (which was subsequently merged with *Seper*); (3) *Chere Phillips and Lady Moore v. VITAS Healthcare Corporation of California*, Sacramento County Superior Court, Case No. 34-2017-0021-2755; and (4) *Williams v. VITAS Healthcare Corporation of California*, Alameda County Superior Court Case No. RG 17853886. These actions were brought by both current and former employees including a registered nurse, a licensed vocational nurse (LVN), home health aides and a social worker. Each action stated multiple claims generally including (1) failure to pay minimum wage for all hours worked; (2) failure to provide overtime for all hours worked; (3) failure to pay wages for all hours at the regular rate; (4) failure to provide meal periods; (5) failure to provide rest breaks; (6) failure to provide complete and accurate wage statements; (7) failure to pay for all reimbursement expenses; (8) unfair business practices; and (9) violation of the California Private Attorneys General Act. The cases generally asserted claims on behalf of classes defined to include all current and former non-exempt employees employed with VITAS in California within the four years preceding the filing of each lawsuit. For additional procedural history of these cases, please refer to our prior quarterly and annual filings.

The *Seper* and *Chhina* cases were consolidated in Los Angeles County Superior Court; *Chhina* was dismissed as a separate action and joined with *Seper* in the filing of amended complaint on August 28, 2018, in which both *Chhina* and *Seper* were identified as named plaintiffs. Discovery in the remaining cases was stayed as to class claims and each court was advised of the pendency of the consolidated *Seper/Chhina* action. The parties engaged in a mediation process beginning in October 2018 and concluded with an agreement in March 2019. The settlement amount, subject to court approval, is $5.75 million plus employment taxes. As of September 30, 2019, $6.0 million was accrued in the accompanying Consolidated Balance Sheet. The definition of the class to participate in the settlement is intended to cover claims raised in the consolidated *Seper/Chhina* matter, claims raised in *Phillips and Moore*, as well as any class claims in *Williams*. The parties have filed a motion for preliminary approval of the settlement and notice to class members and eventual final approval and payment. The hearing on this approval motion is December 2, 2019.

Alfred Lax ("Lax"), a current employee of Roto-Rooter Services Company ("RRSC"), was hired in the RRSC's Menlo Park branch in 2007. On November 30, 2018, Lax filed a class action lawsuit in Santa Clara County Superior Court alleging (1) failure to provide or compensate for required rest breaks; (2) failure to properly pay for all hours worked; (3) failure to provide accurate wage statements; (4) failure to reimburse for work-related expenses; and (5) unfair business practices. Lax has stated these claims as a representative of a class defined as all service technicians employed by RRSC in California during the four years preceding the filing of the complaint. He seeks a determination that the action may proceed and be maintained as a class action and for compensatory and statutory damages (premium payments for missed rest periods, uncompensated rest periods, wages for time allegedly not paid such as travel time, repair time, and vehicle maintenance time, and unreimbursed expenses), penalties and restitutions, pre- and post-judgement interest and attorneys' fees and costs. The lawsuit, *Alfred Lax, on behalf of himself and all others similarly situated v. Roto-Rooter Services Company, and Does 1 through 50 inclusive;* Santa Clara County Superior Court Case Number 18CV338652, was received by RRSC on December 11, 2018 and RRSC timely filed its answer denying the claims.

The Company is not able to reasonably estimate the probability of loss or range of loss for any of these lawsuits at this time, with the exception of *Seper/Chhina, Phillips and Moore*, and the class claims in *Williams*.

The Company intends to defend vigorously against the allegations in each of the above lawsuits. Regardless of the outcome of any of the preceding matters, dealing with the various regulatory agencies and opposing parties can adversely affect us through defense costs, potential payments, withholding of governmental funding, diversion of management time, and related publicity. Although the Company intends to defend them vigorously, there can be no assurance that those suits will not have a material adverse effect on the Company.

Results of Operations

Three months ended September 30, 2019 versus 2018 - Consolidated Results

Our service revenues and sales for the third quarter of 2019 increased 8.2% versus services and sales revenues for the third quarter of 2018. Of this increase, a $20.0 million increase was attributable to VITAS and $15.8 million increase was attributable to Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Three months ended September 30,	
	2019	2018
VITAS		
Routine homecare	$ 274,746	$ 257,134
Continuous care	29,446	30,385
General inpatient	23,599	19,617
Other	2,356	2,104
Medicare cap adjustment	(1,317)	(1,950)
Room and board - net	(2,846)	(2,569)
Implicit price concessions	(4,236)	(2,957)
Roto-Rooter		
Drain cleaning - short term core	45,989	40,852
Plumbing - short term core	34,394	30,464
Subtotal	80,383	71,316
Excavation - short term core	34,269	30,534
Water restoration	25,738	25,001
Contractor operations	14,342	12,219
Outside franchisee fees	1,819	1,593
Other - short term core	483	496
Other	2,791	2,876
Implicit price concessions	(960)	(1,648)
Total	$ 480,613	$ 444,151

Days of care at VITAS during the quarter ended September 30 were as follows:

	Days of Care		Increase/(Decrease)
	2019	2018	Percent
Routine homecare	1,685,656	1,584,820	6.4
Continuous care	39,670	41,462	(4.3)
General inpatient	30,553	25,731	18.7
Total days of care	1,755,879	1,652,013	6.3

The remaining increase in VITAS' revenues for the third quarter of 2019 versus the third quarter of 2018 was primarily comprised of a geographically weighted average Medicare reimbursement rate increase of approximately 0.5% and by $1.3 million in Medicare cap revenue reductions compared to a Medicare cap revenue reduction of $2.0 million in 2018. Partially offset by acuity mix shift, fluctuations in net room and board and contractual adjustments, the combination of which negatively impacted revenue growth approximately 0.4%, when compared to the prior-year period. Over 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The increase in plumbing revenues for the third quarter of 2019 versus 2018 is attributable to a 8.4% increase in price and service mix shift and an 4.5% increase in job count. The increase in excavation revenues for the third quarter of 2019 versus 2018 is attributable to a 7.8% increase in price and service mix shift and a 4.4% increase in job count. Drain cleaning revenues for the third quarter of 2019 versus 2018 reflect a 9.8% increase in price and service mix shift and a 2.8% increase in job count. Water restoration revenue for the third quarter of 2019 versus 2018 is attributable to a 0.7% increase in price and service mix shift and a 2.3% increase in job count. Contractor operations increased 17.4% mainly due to their expansion into water restoration.

The consolidated gross margin was 31.7% in the third quarter of 2019 as compared with 31.3% in the third quarter of 2018. On a segment basis, VITAS' gross margin was 23.1% in the third quarter of 2019 as compared with 22.8%, in the third quarter of 2018 primarily due to improved labor management and reduced ancillary costs. The Roto-Rooter segment's gross margin was 49.2% for the third quarter of 2019 essentially equal to the third quarter of 2018.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Three months ended September 30,	
	2019	**2018**
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	**$ 72,273**	$ 63,754
Impact of market value adjustments related to assets held in deferred compensation trusts	**2,886**	2,189
Long-term incentive compensation	**1,677**	1,234
Total SG&A expenses	**$ 76,836**	$ 67,177

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the third quarter of 2019 were up 13.4% when compared to the third quarter of 2018. This increase was mainly a result of the increase in variable selling expenses caused by increased revenue and increased advertising expense at Roto-Rooter as well as acquisition related expenses at Roto-Rooter in the third quarter of 2019.

Our effective tax rate reconciliation is as follows:

	Three months ended September 30,	
	2019	**2018**
Income tax provision calculated at the statutory federal rate	**$ 14,054**	$ 13,216
Stock compensation tax benefits	**(7,848)**	(2,784)
State and local income taxes	**1,183**	1,360
Other--net	**587**	(110)
Income tax provision	**$ 7,976**	$ 11,682
Effective tax rate	**11.9 %**	18.6 %

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Three months ended September 30,	
	2019	**2018**
VITAS		
Medicare cap sequestration adjustment	**(639)**	(376)
Acquisition expense	**-**	(132)
Roto-Rooter		
Acquisition expense	**(2,411)**	(130)
Amortization of acquired and cancelled franchise agreements	**(244)**	-
Corporate		
Excess tax benefits on stock compensation	**8,792**	3,118
Stock option expense	**(2,278)**	(1,674)
Long-term incentive compensation	**(1,486)**	(1,013)
Total	**$ 1,734**	$ (207)

Three months ended September 30, 2019 versus 2018 - Segment Results

Net income/(loss) for the third quarter of 2019 versus the third quarter of 2018 by segment (in thousands):

	Three months ended September 30,	
	2019	2018
VITAS	$ 39,773	$ 35,921
Roto-Rooter	26,140	24,563
Corporate	(6,966)	(9,235)
	$ 58,947	$ 51,249

VITAS' after-tax earnings were positively impacted in 2019 compared to 2018 due to higher revenue and improved labor management and ancillary costs. After-tax earnings as a percent of revenue at VITAS in the third quarter of 2019 was 12.4% as compared to 11.9% in the third quarter of 2018.

Roto-Rooter's net income was impacted in 2019 compared to 2018 primarily by higher revenue offset by acquisition related expenses. After-tax earnings as a percent of revenue at Roto-Rooter in the third quarter of 2019 was 16.5% as compared to 17.3% in the third quarter of 2018.

After-tax Corporate expenses for 2019 decreased 24.6% when compared to 2018 due mainly to a $5.7 million increase in the excess tax benefits on stock compensation.

Results of Operations

Nine months ended September 30, 2019 versus 2018 - Consolidated Results

Our service revenues and sales for the first nine months of 2019 increased 6.9% versus services and sales revenues for the first nine months of 2018. Of this increase, a $50.7 million increase was attributable to VITAS and $40.4 million increase was attributable to Roto-Rooter. The following chart shows the components of revenue by operating segment (in thousands):

	Nine months ended September 30,	
	2019	2018
VITAS		
Routine homecare	$ 800,059	$ 748,546
Continuous care	92,476	91,664
General inpatient	69,063	61,803
Other	6,598	5,844
Medicare cap adjustment	(7,915)	(668)
Room and board - net	(8,098)	(7,863)
Implicit price concessions	(10,904)	(8,749)
Roto-Rooter		
Drain cleaning - short term core	135,689	124,141
Plumbing - short term core	100,286	91,813
Subtotal	235,975	215,954
Excavation - short term core	103,726	93,869
Water restoration	81,629	77,502
Contractor operations	42,931	36,950
Outside franchisee fees	5,063	4,758
Other - short term core	1,636	1,695
Other	8,773	9,032
Implicit price concessions	(4,781)	(5,197)
Total	$ 1,416,231	$ 1,325,140

Days of care at VITAS during the nine months ended September 30 were as follows:

	Days of Care		Increase/(Decrease)
	2019	2018	Percent
Routine homecare	4,879,161	4,592,950	6.2
Continuous care	125,397	127,147	(1.4)
General inpatient	102,336	86,372	18.5
Total days of care	5,106,894	4,806,469	6.3

The remaining increase in VITAS' revenues for the first nine months of 2019 versus the first nine months of 2018 was primarily comprised of a geographically weighted average Medicare reimbursement rate increase of approximately 0.5% offset by $7.9 million in Medicare cap revenue reductions compared to Medicare cap revenue reductions of $668,000 in 2018. Over 90% of VITAS' service revenues for the period were from Medicare and Medicaid.

The increase in plumbing revenues for the first nine months of 2019 versus 2018 is attributable to a 6.8% increase in price and service mix shift and by a 2.4% increase in job count. The increase in excavation revenues for the first nine months of 2019 versus 2018 is attributable to a 10.0% increase in price and service mix shift and an increase of 0.5% in job count. Drain cleaning revenues for the first nine months of 2019 versus 2018 reflect a 7.0% increase in price and service mix shift and a 2.3% increase in job count. The increase in water restoration revenue for the first nine months of 2019 versus 2018 is attributable to a 2.3% increase in price and service mix shift and a 3.0% increase in job count. Contractor operations increased 16.2% mainly due to their expansion into water restoration.

The consolidated gross margin was 31.2% in the first nine months of 2019 as compared with 30.9% in the first nine months of 2018. On a segment basis, VITAS' gross margin was 22.6% in the first nine months of 2019 as compared with 22.1%, in the first nine months of 2018 primarily due to improved labor management and ancillary costs. The Roto-Rooter segment's gross margin was 48.3% for the first nine months of 2019 compared with 48.9% in the first nine months of 2018 primarily due to higher labor costs in the first half of 2019.

Selling, general and administrative expenses ("SG&A") comprise (in thousands):

	Nine months ended September 30,	
	2019	2018
SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts	$ 212,775	$ 196,271
Long-term incentive compensation	4,552	4,376
Impact of market value adjustments related to assets held in deferred compensation trusts	5,094	3,827
Total SG&A expenses	$ 222,421	$ 204,474

SG&A expenses before long-term incentive compensation and the impact of market value adjustments related to deferred compensation trusts for the first nine months of 2019 were up 8.4% when compared to the first nine months of 2018. This increase was mainly a result of the increase in variable selling expenses caused by increased revenue and increased advertising expense at Roto-Rooter as well as acquisition related expenses at Roto-Rooter in the first nine months of 2019.

Other operating expenses increased $8.9 million from the first nine months of 2018 primarily as a result of a $6.0 million litigation settlement at VITAS and a $2.3 million impairment of transportation equipment held for sale recorded in the first nine months of 2019.

Other income - net comprise (in thousands):

	Nine months ended September 30,	
	2019	2018
Market value adjustment on assets held in deferred compensation trusts	$ 5,094	$ 3,827
Interest income	387	529
Other	7	-
Total other income - net	$ 5,488	$ 4,356

Our effective tax rate reconciliation is as follows:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Income tax provision calculated at the statutory federal rate	$ 38,223	$ 37,127
Stock compensation tax benefits	(16,724)	(16,623)
State and local income taxes	4,652	4,150
Other--net	1,520	924
Income tax provision	$ 27,671	$ 25,578
Effective tax rate	15.2 %	14.5 %

Net income for both periods included the following after-tax items/adjustments that (reduced) or increased after-tax earnings (in thousands):

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
VITAS		
Litigation settlement	$ (4,476)	$ 152
Medicare cap sequestration adjustment	(2,279)	(777)
Non cash ASC 842 benefit	(490)	-
Acquisition expenses	-	(132)
Roto-Rooter		
Acquisition expenses	(2,482)	(130)
Amortization of acquired and cancelled franchise agreements	(811)	-
Non cash ASC 842 benefit	(40)	-
Corporate		
Excess tax benefits on stock compensation	18,737	18,618
Stock option expense	(8,804)	(7,465)
Long-term incentive compensation	(3,915)	(3,515)
Impairment loss on transportation equipment	(1,733)	-
Non cash ASC 842 benefit	124	-
Acquisition expenses	(91)	-
Total	$ (6,260)	$ 6,751

Nine months ended September 30, 2019 versus 2018 - Segment Results

Net income/(loss) for the first nine months of 2019 versus the first nine months of 2018 by segment (in thousands):

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
VITAS	$ 106,400	$ 99,720
Roto-Rooter	76,302	72,799
Corporate	(28,359)	(21,303)
	$ 154,343	$ 151,216

VITAS' after-tax earnings were positively impacted in 2019 compared to 2018 due to higher revenue offset by the impact of a litigation settlement of approximately $6.0 million ($4.5 million after-tax). After-tax earnings as a percent of revenue at VITAS in the first nine months of 2019 was 11.3% as compared to 11.2% in the first nine months of 2018.

Roto-Rooter’s net income was impacted in 2019 compared to 2018 primarily by higher revenue offset by acquisition related expenses. After-tax earnings as a percent of revenue at Roto-Rooter in the first nine months of 2019 was 16.1% as compared to 16.8% in the first nine months of 2018.

After-tax Corporate expenses for 2019 increased 33.1% when compared to 2018 due mainly to a $2.3 million ($1.7 million after-tax) impairment of transportation equipment held for sale.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019
(in thousands)(unaudited)

2019 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 321,748	$ 158,865	$ -	$ 480,613
Cost of services provided and goods sold	247,551	80,632	-	328,183
Selling, general and administrative expenses	21,965	41,758	13,113	76,836
Depreciation	5,105	5,003	39	10,147
Amortization	18	423	-	441
Other operating expense/(income)	97	(19)	-	78
Total costs and expenses	274,736	127,797	13,152	415,685
Income/(loss) from operations	47,012	31,068	(13,152)	64,928
Interest expense	(48)	(80)	(913)	(1,041)
Intercompany interest income/(expense)	4,618	2,234	(6,852)	-
Other income—net	121	31	2,884	3,036
Income/(expense) before income taxes	51,703	33,253	(18,033)	66,923
Income taxes	(11,930)	(7,113)	11,067	(7,976)
Net income/(loss)	$ 39,773	$ 26,140	$ (6,966)	$ 58,947

(a) The following amounts are included in net income (in thousands):

Pretax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Acquisition expenses	$ -	$ (3,281)	$ -	$ (3,281)
Stock option expense	-	-	(2,711)	(2,711)
Long-term incentive compensation	-	-	(1,677)	(1,677)
Medicare cap sequestration	(859)	-	-	(859)
Amortization of acquired and cancelled franchise agreements	-	(331)	-	(331)
Total	$ (859)	$ (3,612)	$ (4,388)	$ (8,859)

After-tax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Acquisition expenses	$ -	$ (2,411)	$ -	$ (2,411)
Stock option expense	-	-	(2,278)	(2,278)
Long-term incentive compensation	-	-	(1,486)	(1,486)
Medicare cap sequestration	(639)	-	-	(639)
Amortization of acquired and cancelled franchise agreements	-	(244)	-	(244)
Non cash ASC 842 expenses	-	-	-	-
Excess tax benefits on stock compensation	-	-	8,792	8,792
Total	$ (639)	$ (2,655)	$ 5,028	$ 1,734

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018
(in thousands)(unaudited)

2018 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 301,764	$ 142,387	$ -	$ 444,151
Cost of services provided and goods sold	233,006	72,306	-	305,312
Selling, general and administrative expenses	20,394	36,112	10,671	67,177
Depreciation	4,905	4,712	40	9,657
Amortization	-	35	-	35
Other operating expenses	100	157	-	257
Total costs and expenses	258,405	113,322	10,711	382,438
Income/(loss) from operations	43,359	29,065	(10,711)	61,713
Interest expense	(49)	(71)	(962)	(1,082)
Intercompany interest income/(expense)	3,306	1,814	(5,120)	-
Other income—net	89	22	2,189	2,300
Income/(expense) before income taxes	46,705	30,830	(14,604)	62,931
Income taxes	(10,784)	(6,267)	5,369	(11,682)
Net income/(loss)	$ 35,921	$ 24,563	$ (9,235)	$ 51,249

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (2,055)	$ (2,055)
Long-term incentive compensation	-	-	(1,234)	(1,234)
Acquisition expense	(177)	(177)	-	(354)
Medicare cap sequestration adjustment	(503)	-	-	(503)
Total	$ (680)	$ (177)	$ (3,289)	$ (4,146)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (1,674)	$ (1,674)
Long-term incentive compensation	-	-	(1,013)	(1,013)
Acquisition expense	(132)	(130)	-	(262)
Medicare cap sequestration adjustment	(376)	-	-	(376)
Excess tax benefits on stock compensation	-	-	3,118	3,118
Total	$ (508)	$ (130)	$ 431	$ (207)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(in thousands)(unaudited)

2019 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 941,279	$ 474,952	$ -	$ 1,416,231
Cost of services provided and goods sold	728,397	245,374	-	973,771
Selling, general and administrative expenses	65,182	120,736	36,503	222,421
Depreciation	14,644	14,983	117	29,744
Amortization	53	1,313	-	1,366
Other operating expenses	6,521	214	2,266	9,001
Total costs and expenses	814,797	382,620	38,886	1,236,303
Income/(loss) from operations	126,482	92,332	(38,886)	179,928
Interest expense	(150)	(273)	(2,979)	(3,402)
Intercompany interest income/(expense)	13,395	6,609	(20,004)	-
Other income—net	309	86	5,093	5,488
Income/(expense) before income taxes	140,036	98,754	(56,776)	182,014
Income taxes	(33,636)	(22,452)	28,417	(27,671)
Net income/(loss)	$ 106,400	$ 76,302	$ (28,359)	$ 154,343

(a) The following amounts are included in net income (in thousands):

Pretax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (10,729)	$ (10,729)
Litigation settlement	(6,000)	-	-	(6,000)
Long-term incentive compensation	-	-	(4,552)	(4,552)
Impairment loss on transportation equipment	-	-	(2,266)	(2,266)
Medicare cap sequestration adjustment	(3,063)	-	-	(3,063)
Amortization of acquired and cancelled franchise agreements	-	(1,103)	-	(1,103)
Non cash ASC 842 (expenses)/benefit	(656)	(55)	163	(548)
Acquisition expenses	-	(3,377)	(120)	(3,497)
Total	$ (9,719)	$ (4,535)	$ (17,504)	$ (31,758)

After-tax benefit/(cost):	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Stock option expense	$ -	$ -	$ (8,804)	$ (8,804)
Litigation settlement	(4,476)	-	-	(4,476)
Long-term incentive compensation	-	-	(3,915)	(3,915)
Acquisition expenses	-	(2,482)	(91)	(2,573)
Medicare cap sequestration adjustment	(2,279)	-	-	(2,279)
Impairment loss on transportation equipment	-	-	(1,733)	(1,733)
Amortization of acquired and cancelled franchise agreements	-	(811)	-	(811)
Non cash ASC 842 (expenses)/benefit	(490)	(40)	124	(406)
Excess tax benefits on stock compensation	-	-	18,737	18,737
Total	$ (7,245)	$ (3,333)	$ 4,318	$ (6,260)

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
CONSOLIDATING STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(in thousands)(unaudited)

2018 (a)	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Service revenues and sales	$ 890,577	$ 434,563	$ -	$ 1,325,140
Cost of services provided and goods sold	693,335	222,254	-	915,589
Selling, general and administrative expenses	61,606	108,120	34,748	204,474
Depreciation	14,753	13,782	107	28,642
Amortization	-	96	-	96
Other operating expenses	16	72	-	88
Total costs and expenses	769,710	344,324	34,855	1,148,889
Income/(loss) from operations	120,867	90,239	(34,855)	176,251
Interest expense	(153)	(255)	(3,405)	(3,813)
Intercompany interest income/(expense)	9,524	5,231	(14,755)	-
Other income—net	469	60	3,827	4,356
Income/(expense) before income taxes	130,707	95,275	(49,188)	176,794
Income taxes	(30,987)	(22,476)	27,885	(25,578)
Net income/(loss)	$ 99,720	$ 72,799	$ (21,303)	$ 151,216

(a) The following amounts are included in net income (in thousands):

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Pretax benefit/(cost):				
Stock option expense	$ -	$ -	$ (9,360)	$ (9,360)
Long-term incentive compensation	-	-	(4,376)	(4,376)
Medicare cap sequestration adjustment	(1,040)	-	-	(1,040)
Acquisition expense	(177)	(177)	-	(354)
Litigation settlement	204	-	-	204
Total	$ (1,013)	$ (177)	$ (13,736)	$ (14,926)

	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
After-tax benefit/(cost):				
Stock option expense	$ -	$ -	$ (7,465)	$ (7,465)
Long-term incentive compensation	-	-	(3,515)	(3,515)
Medicare cap sequestration adjustment	(777)	-	-	(777)
Acquisition expense	(132)	(130)	-	(262)
Litigation settlement	152	-	-	152
Excess tax benefits on stock compensation	-	-	18,618	18,618
Total	$ (757)	$ (130)	$ 7,638	$ 6,751

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies
(in thousands)

For the three months ended September 30, 2019	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 39,773	$ 26,140	$ (6,966)	$ 58,947
Add/(deduct):				
Interest expense	48	80	913	1,041
Income taxes	11,930	7,113	(11,067)	7,976
Depreciation	5,105	5,003	39	10,147
Amortization	18	423	-	441
EBITDA	56,874	38,759	(17,081)	78,552
Add/(deduct):				
Intercompany interest expense/(income)	(4,618)	(2,234)	6,852	-
Interest income	(139)	(34)	-	(173)
Acquisition expense	-	3,281	-	3,281
Stock option expense	-	-	2,711	2,711
Long-term incentive compensation	-	-	1,677	1,677
Medicare cap sequestration adjustment	859	-	-	859
Adjusted EBITDA	$ 52,976	$ 39,772	$ (5,841)	$ 86,907

For the three months ended September 30, 2018	VITAS	Roto-Rooter	Corporate	Chemed Consolidated
Net income/(loss)	$ 35,921	$ 24,563	$ (9,235)	$ 51,249
Add/(deduct):				
Interest expense	49	71	962	1,082
Income taxes	10,784	6,267	(5,369)	11,682
Depreciation	4,905	4,712	40	9,657
Amortization	-	35	-	35
EBITDA	51,659	35,648	(13,602)	73,705
Add/(deduct):				
Intercompany interest expense/(income)	(3,306)	(1,814)	5,120	-
Interest income	(88)	(23)	-	(111)
Medicare cap sequestration adjustment	503	-	-	503
Acquisition expense	177	177	-	354
Stock option expense	-	-	2,055	2,055
Long-term incentive compensation	-	-	1,234	1,234
Adjusted EBITDA	$ 48,945	$ 33,988	$ (5,193)	$ 77,740

Unaudited Consolidating Summary and Reconciliation of Adjusted EBITDA

Chemed Corporation and Subsidiary Companies

(in thousands)

For the nine months ended September 30, 2019	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	**$ 106,400**	**$ 76,302**	**$ (28,359)**	**$ 154,343**
Add/(deduct):				
Interest expense	**150**	**273**	**2,979**	**3,402**
Income taxes	**33,636**	**22,452**	**(28,417)**	**27,671**
Depreciation	**14,644**	**14,983**	**117**	**29,744**
Amortization	**53**	**1,313**	**-**	**1,366**
EBITDA	**154,883**	**115,323**	**(53,680)**	**216,526**
Add/(deduct):				
Intercompany interest expense/(income)	**(13,395)**	**(6,609)**	**20,004**	**-**
Interest income	**(296)**	**(91)**	**-**	**(387)**
Stock option expense	**-**	**-**	**10,729**	**10,729**
Litigation settlement	**6,000**	**-**	**-**	**6,000**
Long-term incentive compensation	**-**	**-**	**4,552**	**4,552**
Acquisition expenses	**-**	**3,377**	**120**	**3,497**
Medicare cap sequestration adjustment	**3,063**	**-**	**-**	**3,063**
Impairment loss on transportation equipment	**-**	**-**	**2,266**	**2,266**
Non cash ASC 842 expenses/(benefit)	**656**	**55**	**(163)**	**548**
Adjusted EBITDA	**$ 150,911**	**$ 112,055**	**$ (16,172)**	**$ 246,794**

For the nine months ended September 30, 2018	**VITAS**	**Roto-Rooter**	**Corporate**	**Chemed Consolidated**
Net income/(loss)	$ 99,720	$ 72,799	$ (21,303)	$ 151,216
Add/(deduct):				
Interest expense	153	255	3,405	3,813
Income taxes	30,987	22,476	(27,885)	25,578
Depreciation	14,753	13,782	107	28,642
Amortization	-	96	-	96
EBITDA	145,613	109,408	(45,676)	209,345
Add/(deduct):				
Intercompany interest expense/(income)	(9,524)	(5,231)	14,755	-
Interest income	(468)	(60)	-	(528)
Stock option expense	-	-	9,360	9,360
Long-term incentive compensation	-	-	4,376	4,376
Medicare cap sequestration adjustment	1,040	-	-	1,040
Stock award amortization	107	100	239	446
Acquisition expense	177	177	-	354
Litigation settlement	(204)	-	-	(204)
Adjusted EBITDA	$ 136,741	$ 104,394	$ (16,946)	$ 224,189

RECONCILIATION OF ADJUSTED NET INCOME
(in thousands, except per share data)(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	**2019**	2018
Net income as reported	**$ 58,947**	$ 51,249	**$ 154,343**	$ 151,216
Add/(deduct) pre-tax cost of:				
Stock option expense	**2,711**	2,055	**10,729**	9,360
Litigation settlement	**-**	-	**6,000**	(204)
Long-term incentive compensation	**1,677**	1,234	**4,552**	4,376
Acquisition expenses	**3,281**	354	**3,497**	354
Medicare cap sequestration adjustment	**859**	503	**3,063**	1,040
Impairment loss on transportation equipment	**-**	-	**2,266**	-
Amortization of acquired and cancelled franchise agreements	**331**	-	**1,103**	-
Non cash ASC 842 expenses	**-**	-	**548**	-
Add/(deduct) tax impacts:				
Tax impact of the above pre-tax adjustments (1)	**(1,801)**	(821)	**(6,761)**	(3,059)
Excess tax benefits on stock compensation	**(8,792)**	(3,118)	**(18,737)**	(18,618)
Adjusted net income	**$ 57,213**	$ 51,456	**$ 160,603**	$ 144,465
Diluted Earnings Per Share As Reported				
Net income	**$ 3.56**	$ 3.06	**$ 9.35**	$ 8.98
Average number of shares outstanding	**16,555**	16,772	**16,514**	16,830
Adjusted Diluted Earnings Per Share				
Adjusted net income	**$ 3.46**	$ 3.07	**$ 9.73**	$ 8.58
Adjusted average number of shares outstanding	**16,555**	16,772	**16,514**	16,830

(1) The tax impact of pre-tax adjustments was calculated using the effective tax rate of the operating unit for which each adjustment is associated.

CHEMED CORPORATION AND SUBSIDIARY COMPANIES
OPERATING STATISTICS FOR VITAS SEGMENT
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
OPERATING STATISTICS	**2019**	2018	**2019**	2018
Net revenue ($000)				
Homecare	**$ 274,746**	$ 257,134	**$ 800,059**	$ 748,546
Inpatient	**23,599**	19,617	**69,063**	61,803
Continuous care	**29,446**	30,385	**92,476**	91,664
Other	**2,356**	2,104	**6,598**	5,844
Subtotal	**$ 330,147**	$ 309,240	**$ 968,196**	$ 907,857
Room and board, net	**(2,846)**	(2,569)	**(8,098)**	(7,863)
Contractual allowances	**(4,236)**	(2,957)	**(10,904)**	(8,749)
Medicare cap allowance	**(1,317)**	(1,950)	**(7,915)**	(668)
Total	**$ 321,748**	$ 301,764	**$ 941,279**	$ 890,577
Net revenue as a percent of total before Medicare cap allowances				
Homecare	**83.2 %**	83.2 %	**82.6 %**	82.5 %
Inpatient	**7.1**	6.3	**7.1**	6.8
Continuous care	**8.9**	9.8	**9.6**	10.1
Other	**0.8**	0.7	**0.7**	0.6
Subtotal	**100.0**	100.0	**100.0**	100.0
Room and board, net	**(0.9)**	(0.8)	**(0.8)**	(0.9)
Contractual allowances	**(1.3)**	(1.0)	**(1.2)**	(1.0)
Medicare cap allowance	**(0.4)**	(0.6)	**(0.8)**	(0.1)
Total	**97.4 %**	97.6 %	**97.2 %**	98.0 %
Average daily census (days)				
Homecare	**14,799**	13,791	**14,510**	13,515
Nursing home	**3,483**	3,402	**3,374**	3,298
Routine homecare	**18,282**	17,193	**17,884**	16,813
Inpatient	**373**	313	**363**	328
Continuous care	**431**	451	**460**	466
Total	**19,086**	17,957	**18,707**	17,607
Total Admissions	**17,131**	16,403	**52,380**	51,540
Total Discharges	**16,915**	16,171	**51,274**	50,234
Average length of stay (days)	**92.6**	90.0	**91.6**	89.0
Median length of stay (days)	**17.0**	18.0	**16.0**	16.0
ADC by major diagnosis				
Cerebro	**35.7 %**	36.2 %	**35.9 %**	36.5 %
Neurological	**20.7**	18.8	**20.4**	18.7
Cancer	**12.9**	13.8	**12.9**	13.8
Cardio	**16.6**	16.4	**16.7**	16.4
Respiratory	**8.1**	8.1	**8.1**	8.1
Other	**6.0**	6.7	**6.0**	6.5
Total	**100.0 %**	100.0 %	**100.0 %**	100.0 %
Admissions by major diagnosis				
Cerebro	**21.1**	21.1 %	**20.8 %**	21.9 %
Neurological	**12.7**	11.6	**12.6**	11.3
Cancer	**30.5**	31.5	**29.2**	30.0
Cardio	**14.8**	14.7	**15.7**	15.3
Respiratory	**10.2**	10.3	**11.3**	11.0
Other	**10.7**	10.8	**10.4**	10.5
Total	**100.0 %**	100.0 %	**100.0 %**	100.0 %
Estimated uncollectible accounts as a percent of revenues	**1.3 %**	1.0 %	**1.1 %**	1.0 %
Accounts receivable --				
Days of revenue outstanding- excluding unapplied Medicare payments	**32.7**	36.0	**n.a.**	n.a.
Days of revenue outstanding- including unapplied Medicare payments	**21.0**	22.8	**n.a.**	n.a.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 Regarding Forward-Looking Information

Certain statements contained in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe", "expect", "hope", "anticipate", "plan" and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. These forward-looking statements are based on current expectations and assumptions and involve various known and unknown risks, uncertainties, contingencies and other factors, which could cause Chemed's actual results to differ from those expressed in such forward-looking statements. Variances in any or all of the risks, uncertainties, contingencies, and other factors from our assumptions could cause actual results to differ materially from these forward-looking statements and trends. In addition, our ability to deal with the unknown outcomes of these events, many of which are beyond our control, may affect the reliability of projections and other financial matters. Investors are cautioned that such forward-looking statements are subject to inherent risk and there are no assurances that the matters contained in such statements will be achieved. Chemed does not undertake and specifically disclaims any obligation to publicly update or revise any forward-looking statements, whether as a result of a new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's primary market risk exposure relates to interest rate risk exposure through its variable interest line of credit. At September 30, 2019, the Company had $130.0 million of variable rate debt outstanding. For each $10 million dollars borrowed under the credit facility, an increase or decrease of 100 basis points (1% point), increases or decreases the Company's annual interest expense by $100,000.

The Company continually evaluates this interest rate exposure and periodically weighs the cost versus the benefit of fixing the variable interest rates through a variety of hedging techniques.

Item 4. Controls and Procedures

We carried out an evaluation, under the supervision of our President and Chief Executive Officer and with the participation of the Executive Vice President and Chief Financial Officer and the Vice President and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the President and Chief Executive Officer, Executive Vice President and Chief Financial Officer and Vice President and Controller have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. Except as discussed below, there has been no change in our internal control over financial reporting that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In the first quarter of 2019, we implemented a new lease accounting system and process in response to the adoption of ASC 842, effective January 1, 2019. These implementations resulted in changes to components of our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding the Company's legal proceedings, see note 11, Legal and Regulatory Matters, under Part I, Item I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's most recent Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 2(c). Purchases of Equity Securities by Issuer and Affiliated Purchasers

The following table shows the activity related to our share repurchase program for the first nine months of 2019:

	Total Number of Shares Repurchased	Weighted Average Price Paid Per Share	Cumulative Shares Repurchased Under the Program	Dollar Amount Remaining Under The Program
February 2011 Program				
January 1 through January 31, 2019	-	$ -	8,376,864	$ 46,649,495
February 1 through February 28, 2019	91,893	327.84	8,468,757	166,522,918
March 1 through March 31, 2019	58,107	329.10	8,526,864	$ 147,399,943
First Quarter Total	150,000	$ 328.33		
April 1 through April 30, 2019	-	$ -	8,526,864	$ 147,399,943
May 1 through May 31, 2019	69,009	328.59	8,595,873	124,723,950
June 1 through June 30, 2019	-	-	8,595,873	$ 124,723,950
Second Quarter Total	69,009	$ 328.59		
July 1 through July 31, 2019	-	$ -	8,595,873	$ 124,723,950
August 1 through August 31, 2019	-	-	8,595,873	124,723,950
September 1 through September 30, 2019	-	-	8,595,873	$ 124,723,950
Third Quarter Total	-	$ -		

On February 25, 2019, our Board of Directors authorized an additional $150 million under the February 2011 Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification by Kevin J. McNamara pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.2	Certification by David P. Williams pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
31.3	Certification by Michael D. Witzeman pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act of 1934.
32.1	Certification by Kevin J. McNamara pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by David P. Williams pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification by Michael D. Witzeman pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Chemed Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) The Condensed Consolidated Balance Sheet, (ii) The Condensed Consolidated Statement of Income, (iii) The Condensed Consolidated Statement of Cash Flows, (iv) The Condensed Statement of Equity, and (v) Notes to the Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in iXBRL and contained in Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			Chemed Corporation (Registrant)
Dated:	November 4, 2019	By:	*/s/ Kevin J. McNamara* Kevin J. McNamara (President and Chief Executive Officer)
Dated:	November 4, 2019	By:	*/s/ David P. Williams* David P. Williams (Executive Vice President and Chief Financial Officer)
Dated:	November 4, 2019	By:	*/s/ Michael D. Witzeman* Michael D. Witzeman (Vice President and Controller)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Kevin J. McNamara, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors or persons performing the equivalent function:

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 4, 2019

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, David P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation (“registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors or persons performing the equivalent function:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 4, 2019

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

CERTIFICATION PURSUANT TO RULES 13a-14(a)/15d-14(a) OF THE EXCHANGE ACT OF 1934

I, Michael D. Witzeman., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chemed Corporation ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors or persons performing the equivalent function:

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2019

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)

EXHIBIT 32.1

CERTIFICATION BY KEVIN J. MCNAMARA
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as President and Chief Executive Officer of Chemed Corporation ("Company"), does hereby certify that:

1) the Company's Quarterly Report on Form 10-Q for the quarter ending September 30, 2019 ("Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

/s/ Kevin J. McNamara
Kevin J. McNamara
(President and Chief Executive Officer)

CERTIFICATION BY DAVID P. WILLIAMS
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Executive Vice President and Chief Financial Officer of Chemed Corporation (“Company”), does hereby certify that:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ending September 30, 2019 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

/s/ David P. Williams
David P. Williams
(Executive Vice President and Chief Financial Officer)

EXHIBIT 32.3

CERTIFICATION BY MICHAEL D. WITZEMAN
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, as Vice President and Controller of Chemed Corporation (“Company”), does hereby certify that:

1) the Company’s Quarterly Report on Form 10-Q for the quarter ending September 30, 2019 (“Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2019

/s/ Michael D. Witzeman
Michael D. Witzeman
(Vice President and Controller)